



Thrift Savings Plan

TSP In-Service Withdrawals

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**Federal Retirement
Thrift Investment Board**

Table of Contents

Thrift Savings Plan In-Service Withdrawals	i
I. Understanding In-Service Withdrawals	1
II. General Rules for In-Service Withdrawals	4
III. More About Age-Based Withdrawals	8
IV. More About Financial Hardship Withdrawals	10
APPENDIX: Documenting Extraordinary Expenses	14
1. Household Improvements Needed for Medical Care	15
2. Personal Casualty Loss	16
3. Legal Expenses for Separation or Divorce	17
4. Medical Expenses	18

Thrift Savings Plan In-Service Withdrawals

This booklet explains in-service withdrawals from Thrift Savings Plan (TSP) accounts and provides specific information about the two types of in-service withdrawals.

The information in this booklet applies to Federal civilian employees and to members of the uniformed services¹ who are TSP participants. For participants with both a civilian and uniformed services TSP account, the following information **applies to each account separately**.²

If after reading this booklet you have questions about in-service withdrawals which your personnel office or service TSP representative cannot answer, you should call or write to the TSP Service Office. The operating hours of the TSP Service Office are Monday through Friday, 7:00 a.m. to 4:30 p.m., central time.

TSP Service Office
National Finance Center
P.O. Box 61500
New Orleans, LA 70161-1500
Telephone: (504)255-6000
TDD: (504)255-5113

The following sources of TSP information are available 24 hours a day, 7 days a week:

TSP Web site – www.tsp.gov
ThriftLine – (504)255-8777

To access your account(s) on the TSP Web site or the ThriftLine, you will need your Social Security number (SSN) and your Personal Identification Number (PIN) for that account. If you have forgotten your PIN, you can request a new one from the Account Access section of the TSP Web site or from the ThriftLine.

¹ The Floyd D. Spence National Defense Authorization Act for 2001 (Public Law 106-398) extended participation in the TSP to members of the uniformed services. For TSP purposes, the uniformed services includes members of the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration, as well as members of the Ready Reserve, including the National Guard.

² Participants who are both Federal civilian employees and members of the uniformed services (i.e., as members of the Ready Reserve), may have an account related to each type of employment and will thus have two separate accounts.

I. Understanding In-Service Withdrawals

What is an in-service withdrawal?

An in-service withdrawal is a means of providing participants — under limited circumstances — access to funds in their TSP accounts while they are employed by the Federal Government either as Federal civilian employees or as members of the uniformed services.

Two types of in-service withdrawals are available to TSP participants:

- **Age-based withdrawal.** Participants who are age 59½ or older can make a one-time withdrawal of all or a portion of their vested account balances.
- **Financial hardship withdrawal.** Participants (regardless of age) who can demonstrate financial hardship can make a withdrawal of their own contributions and the earnings on those contributions (up to the amount of their documented hardship). After a participant makes a financial hardship withdrawal, he or she cannot make contributions to the account (civilian or uniformed services) from which the withdrawal was made or make another financial hardship withdrawal from that account for a period of six months.

Note: Participants who are in nonpay status are eligible for in-service withdrawals.³ Participants who are in Chapter 13 bankruptcy, however, are not eligible for a financial hardship in-service withdrawal because the bankruptcy court has shielded them from a negative cash flow position.

³ If you are not currently receiving pay, you are in “nonpay” status for TSP purposes. For civilian TSP participants, this includes leave without pay, furlough, etc. Most uniformed services members will never be in nonpay status. However, members of the Ready Reserve whose drilling intervals are irregular (i.e., other than monthly) and therefore do not receive pay each month are considered, for TSP purposes, to be in nonpay status during the months they do not drill.

How much can I withdraw?

For an age-based withdrawal, the maximum amount you can withdraw is your vested account balance. (See Section III.) For a financial hardship withdrawal, the amount you can withdraw is limited to your own contributions and earnings or the amount of your demonstrated need, whichever amount is smaller.

You cannot request an amount less than \$1,000 for either type of in-service withdrawal. However, for an age-based in-service withdrawal, you may request to withdraw your entire vested account balance, even if it is less than \$1,000.

What is the effect of an in-service withdrawal on my account?

When you make a withdrawal from your TSP account, you **permanently** deplete your retirement savings by the amount that you withdraw, and you give up any future earnings that you would have earned on that amount. Once an in-service withdrawal payment is made, you **cannot return or repay** the money to your account, and you cannot convert your withdrawal to a loan.

Also, if you make a financial hardship in-service withdrawal, you are **not permitted to make Employee Contributions** to your TSP account for six months. Thus, if you are eligible for agency contributions, you will not receive any Matching Contributions for the six months during which you cannot make Employee Contributions. However, if you are a FERS participant in pay status, you will continue to receive your Agency Automatic (1%) Contributions. (See page 13, “What are the rules for terminating and restarting contributions to my TSP account?”, for more information about termination of contributions when you make a financial hardship in-service withdrawal.)

How is the money deducted from my account?

Your in-service withdrawal will be deducted from your TSP account proportionally from each investment fund (i.e., G, F, C, S, I) in which you participate.

If you are making an in-service withdrawal from a uniformed services TSP account, your account may include a tax-exempt balance. This is because a member of the uniformed services is entitled to make contributions from combat zone pay (which is tax-exempt) to

his or her TSP account. If the uniformed services TSP account includes a tax-exempt balance, the in-service withdrawal will be paid proportionally from the tax-deferred and tax-exempt balances.⁴

How else can I access the money in my account while I am employed?

If you are in pay status, you can access your own contributions and the earnings on those contributions through a TSP loan. Loans are available for general purposes and for the purchase of a primary residence.

Before applying for a withdrawal, you should evaluate your options to see whether a loan from the TSP would be more beneficial for you. A loan — including interest on the loan — is repaid to your account. Also, the amount of an in-service withdrawal is subject to income tax, and, depending on your age, an early withdrawal penalty tax. However, you do not pay taxes on a TSP loan (unless you fail to repay it). Finally, unlike a financial hardship withdrawal, a TSP loan has no effect on your eligibility to continue contributing to your account.

For more information about loans, read the booklet *TSP Loan Program*, which is available from the TSP Web site, your agency personnel office, or your service TSP representative.

⁴ The tax-deferred balance includes all contributions other than those made from combat zone pay, as well as all earnings in a participant's account (including earnings on any tax-exempt balance). Tax-deferred balances are subject to taxation upon their distribution from a TSP account; tax-exempt balances are not.

For detailed information about applicable tax rules, read the notice "Important Tax Information About TSP In-Service Withdrawal Payments," which is available from the TSP Web site, your agency or service, or the TSP Service Office.

II. General Rules for In-Service Withdrawals

How do I apply?

To apply for an age-based in-service withdrawal, complete Form TSP-75 (for Federal civilian employees) or Form TSP-U-75 (for members of the uniformed services), Age-Based In-Service Withdrawal Request.⁵ To apply for a financial hardship in-service withdrawal, complete Form TSP-76 or TSP-U-76, Financial Hardship In-Service Withdrawal Request. These forms are available from the TSP Web site, your agency personnel office, your service TSP representative, or the TSP Service Office.

Also, if you want to transfer all or any portion of your age-based in-service withdrawal to a traditional individual retirement account (IRA) or eligible employer plan, you and your financial institution must also complete Form TSP-75-T or TSP-U-75-T, Transfer of Age-Based In-Service Withdrawal. That form is included with the Age-Based In-Service Withdrawal Request package. (Read the tax notice “Important Tax Information About TSP In-Service Withdrawal Payments.”)

When you have completed your request, mail it to the TSP Service Office at the address on the form. Do not send your application to your agency or your service; only the TSP Service Office can process an in-service withdrawal.

Note: The TSP can process only one request from an account at a time. Therefore, your withdrawal request will be rejected if it is received by the TSP Service Office when you already have a pending application for another type of in-service withdrawal or for a TSP loan from your account. (See “Can I cancel an in-service withdrawal request?” on page 7 for information about cancelling an application.)

Does my spouse have to consent to an in-service withdrawal?

Your spouse has certain rights that affect your account (even if you are separated from your spouse). These rights apply to all in-service

⁵ Forms for civilian TSP participants are identified by the prefix “TSP-,” followed by the form number. Forms for uniformed services TSP accounts are identified by the prefix “TSP-U-” before the form number.

withdrawals. If you are a married FERS⁶ employee or a member of the uniformed services, the law requires that your spouse consent to your in-service withdrawal. If your spouse's whereabouts are unknown, or exceptional circumstances make it inappropriate to obtain your spouse's consent, you can apply for an exception using Form TSP-16 or TSP-U-16, Exception to Spousal Requirements, with the required documentation. These forms are available from the TSP Web site, your agency personnel office, or your service TSP representative.

Note: The criteria for supporting a claim on the basis of exceptional circumstances are strict. The fact that there is a separation agreement, a prenuptial agreement, a protective order, or a divorce petition does not in itself support a claim of exceptional circumstances.

If you are a married CSRS⁷ employee, the TSP must notify your spouse before the in-service withdrawal can be made. If you do not know the whereabouts of your spouse, you can apply for an exception using Form TSP-16.

You must indicate whether or not you are married on your request for an in-service withdrawal. If you are married, you must provide certain information about your spouse. **Note:** The TSP will pursue and prosecute any participant or other person who attempts to deprive a spouse of his or her TSP rights by forging the spouse's signature, by lying about the participant's marital status, or by any similar acts.

If there is a court order against my account, will I be able to make an in-service withdrawal?

The TSP must honor court orders, such as those that enforce payment of child support or alimony or that award a portion of your civilian or uniformed services TSP account to a former spouse.

⁶ FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.

⁷ CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement plans.

When a court order is received by the TSP, a hold will be placed on the account to stop payment. An in-service withdrawal cannot be made from that account until the court order process has been completed.

If you have both a civilian and a uniformed services TSP account, the court order must clearly identify the account to which the order or award applies.

For more information about the effect of court orders on your TSP account, read the booklet *Information About Court Orders*, available from the TSP Web site, your agency personnel office, or your service TSP representative.

How long does it take to get an in-service withdrawal?

You should anticipate that there will be up to 4 weeks between the time the TSP receives all of the required forms and information for an in-service withdrawal and the time a check is mailed to you.

Because the TSP is a monthly valued plan, disbursements are made once a month (early in the month) after the prior month's earnings have been posted to participants' accounts. The month in which your in-service withdrawal is disbursed depends on when your application and any required documentation are received at the TSP Service Office. Generally, in-service withdrawals are disbursed early in the next month following the month in which they are approved.

Your in-service withdrawal could take longer if you submit forms that are not properly completed or (if you request to transfer an age-based in-service withdrawal to an IRA) your financial institution delays in submitting the required information to the TSP. To help ensure that there are no delays in your request, you should double-check your application to make sure that it is complete and that all forms have been signed.

Where will my check be sent?

Your withdrawal check — and correspondence related to your in-service withdrawal — will be mailed to the address in your TSP account record. If your TSP account address is not correct, contact your agency personnel office or your service TSP representative immediately and ask that your correct address be submitted to the TSP. The TSP cannot use the address that you provide on your

in-service withdrawal request to change your account address. Therefore, you should report any changes of address **before** you submit your in-service withdrawal request.

Can I cancel an in-service withdrawal request?

You can cancel a pending request, but you cannot cancel a withdrawal or return money to your account once a withdrawal payment has been made. If you would like to cancel a pending in-service withdrawal request, your written request or call to the TSP Service Office must be received by the last business day of the month in which your withdrawal request would otherwise be approved. You must provide your Social Security number, name, and date of birth or TSP Personal Identification Number (PIN) for that account.

Are there tax consequences to my withdrawal?

Yes. You are responsible for paying taxes on an in-service withdrawal. However, different tax rules apply to an age-based in-service withdrawal than to a financial hardship in-service withdrawal. Also, different tax rules may apply to Federal civilian employees than to members of the uniformed services. For detailed information about the tax rules, read the notice “Important Tax Information About TSP In-Service Withdrawal Payments,” which is available from the TSP Web site, your agency or service, or the TSP Service Office.

III. More About Age-Based Withdrawals

This section supplements the information about applying for an in-service withdrawal which is contained in Section II.

Can I request an age-based withdrawal before I am 59½?

No. A withdrawal request can be processed only after you have reached age 59½. If the TSP receives your Form TSP-75 or TSP-U-75 earlier than six months after your 59th birthday, your request will be rejected. (The TSP determines your age based on the date of birth reported by your employing agency or your service.)

Is there a limit on the amount of my age-based withdrawal?

You may withdraw all or any portion of your vested account balance from your civilian or uniformed services TSP account. You cannot request a dollar amount that is less than \$1,000. However, if your vested account balance is less than \$1,000, you can request that your total vested account balance be paid to you. If you request a withdrawal of a dollar amount that is more than the vested account balance in your account, the TSP will pay the maximum amount available (even if the amount is less than \$1,000).

You are always vested in your own contributions and the earnings on those amounts. Thus, CSRS employees are always vested in all of the money in their accounts. FERS employees are always vested in the Agency Matching Contributions, as well as the earnings on those contributions. Most FERS employees become vested in their Agency Automatic (1%) Contributions after completing three years of Federal civilian service. FERS employees in congressional and certain noncareer positions become vested in their Agency Automatic (1%) Contributions after completing two years of Federal service. Uniformed services members are always vested in their own contributions, and, if applicable, any matching contributions, as well as earnings on all contributions.

Check your most recent TSP participant statement to estimate your vested account balance. If you are a FERS employee, your TSP participant statement indicates the number of years of Federal service you need in order to be vested in your Agency Automatic (1%) Contributions.

Is there a limit on the number of age-based withdrawals I can make?

You may receive **only one** age-based in-service withdrawal from an account. If your account record indicates that an age-based withdrawal was disbursed previously, any subsequent request from that account will be denied.

Making an age-based withdrawal, however, does not affect your eligibility for a later TSP loan or financial hardship in-service withdrawal from that account.

Note: If you have two separate TSP accounts — as a Federal civilian employee and as a member of the uniformed services — you can only make an age-based in-service withdrawal from the account associated with your current employment. However, if you have two accounts associated with your current employment (e.g., because you are a Federal civilian employee and a member of the Ready Reserve), you can make an age-based in-service withdrawal from each account.

Does an age-based withdrawal affect my withdrawal options after I separate from service?

Yes. Partial post-separation withdrawals will become available after the new TSP record keeping system is operational (planned for the second half of 2002 on a date to be announced). At that time, separated participants will have the option to withdraw a portion of their accounts and leave the rest in the TSP until later. **Participants who make an age-based in-service withdrawal from an account before they separate from service will not be eligible for a partial withdrawal from that account after they separate from service.**

IV. More About Financial Hardship Withdrawals

This section supplements the information about applying for an in-service withdrawal which is contained in Section II.

Is there a limit on the amount of my financial hardship withdrawal?

Yes, there are limits on financial hardship in-service withdrawals.

First, you can withdraw only your own contributions and attributable earnings in your civilian or uniformed services TSP account (including any amounts you transferred into your TSP account from an IRA or eligible employer plan); you cannot withdraw any Agency Automatic (1%) or Matching Contributions.

Second, the amount of the financial hardship withdrawal is limited to your demonstrated financial need. On Form TSP-76 or TSP-U-76 you must provide information on monthly income and expenses for yourself and your spouse and include supporting documentation for any extraordinary expenses that you claim. Extraordinary expenses include only expenses that are **unpaid and unreimbursable** (by insurance or otherwise). They are limited to four types: household improvements needed for medical care, personal casualty losses, legal expenses for separation or divorce, and medical expenses.

In any case, you cannot withdraw less than \$1,000.

What income information do I have to provide?

You must report your monthly income, including items such as your salary, tax withholding and other deductions from your pay, and any alimony and child support that you receive. If you are married, you must also report your spouse's income. Members of the uniformed services also must report any special pay, incentive pay, and additional allowances they receive.

You must also submit your most current earnings and leave statement with your request. (If you have two TSP accounts, you would submit the statement that relates to the employment for the account from which you are requesting the financial hardship withdrawal.)

Even if you are in nonpay status, you must provide this pay statement, because it documents that you are not receiving any pay.

What information about my expenses do I have to provide?

You must show your major monthly expenses (for example, housing, utilities, dependent care, alimony and child support, and installment loan payments other than TSP loans), but you do not have to itemize all of your household expenses. An allowance for ordinary household expenses is determined based on your income and family size, using a factor derived from information provided by the U.S. Bureau of Labor Statistics. This allowance takes into account items such as food, clothing, health insurance premiums, entertainment, and other miscellaneous expenses. (Credit card payments are included in this allowance and cannot be included in your itemized expenses.) The calculation of the allowance for these ordinary expenses is made on the Financial Hardship Worksheet in the in-service withdrawal package.

You must also provide documentation for any extraordinary expenses that you list. The Appendix to this booklet describes the documentation requirements for each type of extraordinary expense.

How can I estimate the amount for which I qualify?

You can use the information from the Financial Statement and Extraordinary Expenses sections of Form TSP-76 or TSP-U-76 to complete the Financial Hardship Worksheet provided in the application package. The Worksheet helps you to determine whether you qualify for a financial hardship withdrawal and to estimate the amount you may withdraw. The amount you request should not be greater than the amount you calculate on the Financial Hardship Worksheet, but must be at least \$1,000.

How is financial hardship determined?

The amount of your financial hardship is based on the financial information you provide on Form TSP-76 or TSP-U-76 and on your current pay statement. If your monthly cash income is less than your monthly expenses (i.e., you have a negative cash flow), you may qualify for a hardship withdrawal. In addition, any extraordinary expenses that you list and document will increase the amount for which you qualify. If you have a negative cash flow, the amount of your hardship withdrawal will equal your negative cash flow for a period

of six months plus your documented extraordinary expenses (if any). If you have a positive monthly cash flow, you will qualify for a hardship withdrawal only to the extent that your documented extraordinary expenses are more than six times your monthly positive cash flow.

Will I receive a financial hardship in-service withdrawal if I qualify for less than I request?

If the information you provide supports an amount that is smaller than you requested, you will receive the smaller amount — **even if it is substantially less** than the amount you requested (but is at least \$1,000). You will not be notified of the smaller amount in advance.

However, if you do not qualify for a financial hardship withdrawal based on the information that you provide (that is, if the calculated financial hardship amount is less than the minimum amount of \$1,000), your request will be rejected.

Is there a limit on the number of financial hardship withdrawals I can make?

There is no limit on the number of financial hardship withdrawals you can make; however, the TSP will not accept a financial hardship withdrawal request from an account for a period of six months after a financial hardship disbursement has been made from that account.

For example, if your financial hardship withdrawal is disbursed in March, another request cannot be processed until September.

Note: If you have two separate TSP accounts — as a Federal civilian employee and as a member of the uniformed services — you can only make a financial hardship withdrawal from the account associated with your current employment. If you have two accounts associated with your current employment (e.g., because you are a Federal civilian employee and a member of the Ready Reserve), you may request a financial hardship withdrawal from each account, but you may not claim the same expenses for each request.

What are the rules for terminating and restarting contributions to my TSP account?

When your financial hardship in-service withdrawal is made, the TSP will instruct your agency or service to stop your employee contributions to that account (if any) for six months. (If you have both a civilian and a uniformed services TSP account, this termination will apply only to the account from which you received your financial hardship withdrawal). This period will begin approximately 45 days after the financial hardship disbursement, depending on when your pay periods begin. This means that if you are a FERS employee or a member of the uniformed services who is eligible for **agency or (if applicable) service contributions**, your matching contributions will also stop.⁸ However, if you are a FERS employee in pay status, you will continue to receive your Agency Automatic (1%) Contributions during this time.

If you are a FERS participant who is not yet eligible for agency contributions, but you become eligible during this six-month suspension period, your Agency Automatic (1%) Contributions will begin as scheduled. Your Matching Contributions, if any, will begin when you resume employee contributions.

Near the end of this six-month period, the TSP will notify you of your eligibility to resume contributions. At that time, you can ask your agency or service to resume your contributions by submitting Form TSP-1 or TSP-U-1, Election Form, along with a copy of the notice the TSP sends you. Your agency or service will **not** resume your contributions automatically. However, you do not need to wait until a TSP open season to resume contributions (unless you had previously voluntarily terminated your contributions). When you resume contributions, they will be allocated to the TSP funds according to your most recent contribution allocation.

⁸ As of the date of this booklet, none of the service secretaries has authorized matching contributions for members of the uniformed services.

APPENDIX: Documenting Extraordinary Expenses

If you are applying for a financial hardship withdrawal and are claiming extraordinary expenses for any of the categories listed below, you must provide supporting documentation for the amount of the expenses that you show on your application. You can use only **unpaid and unreimbursable expenses** (or an estimate of future such expenses) that are due and payable by you. In other words, you cannot submit expenses that you have already paid or that have been, or will be, reimbursed by insurance or otherwise.

This Appendix provides the criteria for documenting the following types of extraordinary expenses:

- Household improvements needed for medical care
- Personal casualty loss
- Legal expenses for separation or divorce
- Medical expenses.

The documentation of the cost must be dated no more than 45 days before the date the TSP Service Office receives your Form TSP-76 or TSP-U-76. **Note:** This is the date of the bill or estimate — not the date the cost was incurred or the date the service was provided. If the most recent bill is not itemized, you must provide a copy of an earlier itemized bill or other document in addition to the current document. You may also submit estimates of acceptable costs to be incurred in the next six months. To do so, submit copies of estimates of the costs of the future expenses or a contract **and** a statement signed by you indicating the extent of any expenditures to be made within the next six months.

Please review the following documentation criteria carefully. If you do not submit the appropriate documentation for the extraordinary expenses that you list, you may receive a smaller withdrawal payment than you expected.

To facilitate processing your request, please ensure that your name and Social Security number appear on each document.

1. Household Improvements Needed for Medical Care

Generally, eligible expenses for household improvements needed for medical care are those that are eligible for deduction on your Federal income tax return, without taking into consideration the IRS limits on income or the fair market value of the property. These expenses must be incurred as a result of a medical condition, illness, or injury to you, your spouse, or your dependents (i.e., individuals whom you can claim as dependents for Federal income tax purposes at the time you request the withdrawal).

Eligible household improvements include:

- Structural improvements, such as installation of an elevator for a heart condition, wheel chair ramp, railings and support bars, modified doorways and stairways, or alteration of cabinets, outlets, and fixtures.
- Purchase and installation of equipment, such as warning systems for the disabled or installation of a central air conditioner if necessary for relief from an illness.

You must provide documentation to demonstrate that the household improvement is medically necessary **and** that you have unpaid bills for, or will incur the cost of, the improvement. Your documentation must include:

- 1) A statement from the patient's medical provider on official letterhead which includes the patient's name and clearly identifies the type of improvement and states that the improvement is needed for the medical care of the patient.

and

- 2) A copy of a construction bill, clearly identifying the cost of the required improvement. You may also submit a copy of a building permit, assessment, or other document that clearly explains the improvement being made, along with bills for required equipment or supplies and labor costs. For example, a bill for supplies such as lumber or concrete would be acceptable if it is accompanied by a building permit that indicates that a wheel-chair ramp is being built.

and

- 3) A statement signed by you that identifies the patient's relationship to you if the improvement is being provided for someone other than yourself.

On all documentation of costs, you must indicate on the bill or in a separate statement any portion of the expenses that has been or is expected to be covered by insurance (including Medicare or Medicaid) or other reimbursement.

2. Personal Casualty Loss

Generally, eligible costs of repairs and replacement are those resulting from personal casualty losses that are eligible for deduction on your Federal income tax return, without taking into consideration the IRS limits on income, the fair market value of the property, or the number of events.

Personal casualty loss includes damage, destruction, or loss of property resulting from an identifiable event that is sudden, unexpected, or unusual. Casualty losses can result from a number of causes, including earthquakes, hurricanes, tornadoes, floods, storms, and fire. They can also result from theft of your property. Damage to your automobile can be a casualty loss as long as the accident was not caused by your willful negligence or willful act. Personal casualty loss does not include damage resulting from normal wear and tear, such as damage or destruction due to termites or moths or progressive deterioration of property.

You must provide documentation to demonstrate that you have incurred a casualty loss **and** that you have unpaid bills for, or will incur costs for, repair and/or replacement of damaged or stolen property.

Your documentation must include:

- 1) Documents that identify the affected property and confirm that the loss was due to an allowed casualty. This includes copies of police or insurance reports or other documents that confirm that your residence or vehicle sustained casualty damages. It could also include confirmation that your residence was located in a Federal Disaster Area, or newspaper articles confirming violent weather.

and

- 2) If any amount is covered by insurance, copies of insurance or Federal Emergency Management Agency statements that show the amount covered by insurance and the amount that is your responsibility. The amount that is payable by you (i.e., the amount not covered by insurance or otherwise reimbursable) is the amount that is eligible under the financial hardship withdrawal program.

and

- 3) Documentation of the repair and/or replacement costs. Examples of documents include a copy of a construction bill that clearly identifies the cost of the required repair or replacement, or a copy of a building permit, assessment, or other document that clearly indicates the repair or replacement being made (for example, roof repair due to fallen tree), along with bills for required equipment or supplies and labor costs.

On all documentation of costs other than insurance statements you must indicate on the bill or in a separate statement any portion of incurred expenses that has been or is expected to be covered by insurance or other reimbursement.

Unacceptable Personal Casualty Losses — Several types of casualty losses are deductible for Federal tax purposes but cannot be included as expenses in this category:

- Losses on deposits when a bank, credit union, or other financial institution becomes insolvent or bankrupt
- Losses to a business or income-producing property.

3. Legal Expenses for Separation or Divorce

Legal expenses for separation or divorce are limited to attorney's fees and court costs. Court-ordered payments to a spouse or former spouse and child support payments are not allowed, nor are costs of obtaining prepaid legal services or other coverage for legal services.

Your documentation must include:

- 1) Copies of bills or a letter on official letterhead showing your name and sufficient identification of the case to confirm that the expenses are in connection with your separation or divorce. Billings for attorney's fees should clearly show the attorney's name, firm, and complete address, the date the services were rendered, and the amount of the bill.

or

- 2) A copy of a court document listing court costs payable by you. The case must be identified sufficiently to confirm that the expenses are associated with your separation or divorce.

When documenting costs, you must indicate on the bill or in a separate statement any portion that is not payable by you (i.e., the portion of the costs payable by another party or covered by insurance).

4. Medical Expenses

Generally, eligible medical expenses are those that are eligible for deduction on your Federal income tax return, without taking into consideration the IRS income limits.

Expenses that can be included are physician and hospital bills, certain dental expenses, medical supplies, medical devices, and drugs prescribed by a physician (including insulin). You can also submit expenses for certain other services, such as travel or accommodations, but only if the travel or accommodations are necessary to receive treatment prescribed by a physician. These expenses must be incurred by you, your spouse, or your dependents (individuals whom you can claim as dependents for Federal income tax purposes at the time you request the withdrawal). Medical expenses that are excluded from coverage are items such as surgery for purely cosmetic reasons and medicine that you buy without a prescription.

You must provide documentation, such as bills from the service provider or an Explanation of Benefits (EOB) form from your insurer, which demonstrates that you have incurred specific medical expenses.

Your documentation must include:

- 1) Copies of EOB forms from the insurer with the name of the patient, the name and address of the medical provider, and the expense incurred. These documents must show the amount covered by insurance and the amount that is the responsibility of the individual. Only the amount that is not covered by insurance is eligible for inclusion in the calculation of financial hardship.

or

- 2) Copies of bills or receipts on the official letterhead of the medical service provider, showing the patient's name and expenses. For prescription drugs, the bills or receipts must show the prescription number.

or

- 3) Copies of bills for other services, such as travel or accommodations, that are primarily for, and essential to, medical care. You must also submit a copy of a physician's statement on official letterhead indicating that the patient requires these services for medical reasons.

and

- 4) A statement signed by you that identifies the patient's relationship to you, if the patient is someone other than yourself.

On all documentation of costs other than an EOB, you must indicate on the bill or in a separate statement any portion of the expenses which has been, or is expected to be, covered by insurance (including Medicare or Medicaid or other reimbursement).

Unacceptable Medical Costs — Several types of medical-related expenses are deductible for Federal tax purposes but cannot be submitted as extraordinary expenses because they are incorporated elsewhere in the financial hardship request:

- Medical and dental insurance premiums. These premiums are included in the determination of financial hardship as part of the allowance for ordinary monthly household expenses on the Financial Hardship Worksheet.
- Expenses associated with household help due to a medical condition.

